

(NOT TO BE RELEASED BEFORE MARCH 2, 1919)

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

MARCH 1, 1919

(Compiled February 25, 1919)

Aside from the current rumor of a possible general building strike on April 1, there seem to be no indications of interference by labor, through strikes, with a general business readjustment to a peace footing in this district. Both labor and capital are co-operating to continue the orderly readjustment now under way. Efforts are being made to give the returning soldier employment as soon as he is released from military service. At the same time care is being exercised to avert the unnecessary throwing out of employment of those who were taken on during the war period, and where such are let out, to assist them in finding employment in other lines now expanding their operations in consequence of the withdrawal of war production restrictions.

Careful inquiry in this district discloses that at present the number of unemployed men is remarkably small when the progress which has been made in readjustment is considered. The country is entering the fourth month since hostilities in Europe ceased, and industry in the Seventh Federal Reserve District is able to continue operations on a scale to maintain labor employment not far below normal at this season of the year.

Labor Organizations Now Co-Operating.

Those connected with the U. S. Employment Service, and the various relief organizations, say that the existing distress in consequence of unemployment is less than usual at this period of the year. The slow recession of living costs has checked a tendency to force wage reductions, and this has encouraged co-operation on the part of labor organizations in the effort to avoid strikes wherever possible.

In the Middle West the speeding up of all activities of production for war purposes was confined chiefly to the normal products of manufacturing enterprises which could be utilized in war, rather than being directed to making of munitions and other strictly war material. There were some very large contracts for munitions and other strictly war products made during the last six months of actual hostilities. In many instances, however, these contractors had scarcely reached the stage of quantity production and in some cases had not completed their plant expansions when the war stopped, hence the large number of unsettled and informal claims to be passed upon by the War Claims Board.

Unsettled Contracts a Retarding Factor.

So far, in Chicago and the immediate vicinity, there are reported 658 contracts on which there are claims to be adjusted. Of this number, 200 are in, and approximately 75 have been passed. The amount of money represented by the face value of these contracts when completed is variously estimated, but probably approximates \$400,000,000 for the Ordnance Department alone, with something like \$200,000,000 on other classes of contracts. It does not follow that the amount of the claims will closely approach this total, if those already passed on are a fair criterion. Detroit, it is estimated, has contracts to be adjusted, the face value of which aggregates upwards of \$100,000,000, and Indianapolis has about \$60,000,000. No estimate is obtainable from Milwaukee.

The difficult feature of this situation lies in the plight of the sub-contractor, the prime contractor hesitating to make payment to the sub-contractor until he has some idea of what the government is going to allow him in the adjustment on his contract. Meanwhile the sub-contractor as well as the prime contractor has borrowed liberally at the banks to provide raw material and to work it up. Until the government allows these claims, the credit situation is somewhat involved. It is expected, however, the government will complete arrangements in a few days by which partial payment can be made by the prime contractors to sub-contract-

ors, which will relieve the situation. While the amount is not large, comparatively speaking, the wide distribution and the number of small concerns affected makes this an important factor, because it restricts the ability of small manufacturers to make definite plans for proceeding on a peace footing.

Labor Surplus Is Not Regarded Large.

Notwithstanding this handicap the labor situation, according to the latest statistics, shows a remarkably small number of unemployed. An indication of this is found in the following compilation from the U. S. Employment Service statistics from a limited number of representative plants:

	Towns.	Number of Concerns.	Number of Employees.	Estimated Surplus.
Michigan	5	247	178,806	37,500
Indiana	7	157	109,013	8,300
Wisconsin	3	212	108,086	12,000
Illinois	7	556	295,979	940

Note—This Illinois surplus represents Joliet and Rockford, the other five Illinois towns, including Chicago, reporting no unseasonal surplus.

Chicago's Labor Well Employed.

Chicago normally has a floating population, which winters here and spends the summer working in railroad and other similar contract camps, of approximately 75,000. There may be added to this a "float" commonly referred to as the "Sons of Rest," who never work when they can avoid it, sufficient to offset the proportion of this 75,000 winter tourists who work at odd jobs during their stay in Chicago. Detroit also has approximately 18,000 of regular idlers at this season of the year. Detroit, it is estimated, has about 25,000 unemployed, or less than 10,000 in excess of the normal number.

This surplus is slowly being absorbed by manufacturers. When the weather becomes propitious for railroad contracting, many of those now out of employment in Chicago will be cared for. Detroit, it is expected, will care for itself.

Advices received from Iowa are equally encouraging, but as Iowa is overwhelmingly an agricultural State no such close inquiry has been made. Milwaukee shows a reduction in working forces between November 1 and February 1 of approximately 8 per cent, these figures being compiled from 45 representative metal trade shops, employing on November 1, 35,629 men and women. In Indiana the peak of the employment was reached during October, and the best available estimates are that the unemployment in that State is about 10 per cent greater than normal.

What the "Want Ad" Statistics Show.

Want advertisements in the leading mediums used by employers and those seeking employment usually are a fair criterion of labor conditions in Chicago. It is interesting, therefore, to note that between November and January there was a decrease in number of 4,730 for male and 3,604 for female help. "Situations Wanted" statistics are in agate lines and show an increase of 1,204 lines in "Situations Wanted" for men and 538 lines for women in the two months in one medium, while another medium shows a decrease of 3,460 in male and an increase of 1,669 in female "Help Wanted" advertisements and an increase of 689 in "Situations Wanted" by male advertisers and a decrease of 234 by female advertisers in January compared with October.

Business Conservative But Active.

Uppermost in the business mind, of course, is the thought of eliminating as far as possible the hazard of future commitments in a period of declining prices, but offsetting this is the existence, especially in the Middle West, of a greatly increased buying power, growing out of the high prices for the natural products of this vast agricultural section, together with the high wages received during the war period.

With retail stocks reported as normal or below, and with skilled labor at all the industrial centers pretty fully employed, and with labor conciliated, apprehension of the usual disturbing features of a general readjustment period is being dispelled. Any development indicating that the price readjustment has reached a point of stability, will, it is believed, turn the tide and stimulate business activity all along the line. However, that point has not yet been reached.

Inability to Adjust Prices a Hindrance.

Food commodity tonnage in stock is about pre-war normal, but dollar value is considerably larger on account of the high prices, indicating that considerable readjustment remains to be done along that line. Inability

to adjust prices generally is retarding the flow of merchandise. This applies with equal force to dry goods and kindred lines of business. This hesitancy slowed down manufacturing, and while the volume of retail business reported for January and February is 30 to 45 per cent greater than last year and collections are good, yet manufacturers apparently have not reached a point where they feel justified in guaranteeing prices to customers. There has been a depreciation in cotton and woolen goods during the last sixty days, of approximately 25 per cent. Stocks of merchandise are rapidly being diminished, and depreciation in price will not seriously affect the retailers, as stocks are comparatively small. Jobbers guaranteed prices for spring merchandise up to March 1, to a large extent, and purchases are being restricted to nearby markets. Road sales for immediate delivery are good.

The boot and shoe business is good. Hosiery line conditions are very good, as well as kindred lines, such as knit-goods, notwithstanding the uncertainty of prices, which has caused jobbers to hesitate in buying to some extent.

Prices Hold Building in Check.

The building trades are making plans for an early spring, but the material feature is still a factor. An instance of this was reported by one of the Federal Reserve Bank's correspondents, who relates that bids were opened recently on a large building for which drawings and specifications were prepared about the middle of 1916, figures being taken at that time. The bids recently taken show an increase of about 45 per cent over those of 1916, and these higher bids are due to material prices. The steel in the building was on the basis of one-half of one per cent increase over 1916, while other branches of the work were in some instances fully 100 per cent higher.

Curiously, in this instance, those in which labor is a large element did not show as great an advance, hence a hasty analysis indicates the excess cost to be largely in the common materials of building, such as brick, cement, sand, lumber, tile, etc. The price of steel, however, was 50 per cent higher than in 1914, while labor generally has increased only about 8 or 10 per cent in building trades employed directly on this class of building in which labor represents approximately 35 per cent of the cost in normal times. The bids were so high that the building construction was postponed. From this it would seem that some of the prices for materials have a considerable readjustment to undergo.

No Excess Packing House Stocks in Sight.

Shipments of livestock have shown a slight increase in consequence of the firmness of the market. The packing house stocks, however, are not accumulating at these prices, and there is no excess of the supply necessary to care for the domestic demand and the government requirements, together with orders placed for export chiefly to England, France and Italy. There has been a falling off in the domestic demand and a disposition to buy for short periods, owing to uncertainty as to the maintenance of present prices. Labor conditions immediately affecting trades in packing house lines show no special unrest, although the general situation the country over is slightly affecting the demand.

The wool market is beginning to reflect confidence returning after the hesitation caused by the uncertainty as to what the government would do with the surplus on hand. Prices are advancing on tallow and grease, while oleo oil has been affected by the decline in the butter market. The demand for fertilizer indicates a consumption equal to last year, if not in excess, the only hesitancy being in the cotton growing sections.

Banks Prepare for Government Financing.

Banking conditions indicate some relaxation in tension. That banks are paying off their loans is indicated by the decline in the amount of accommodations extended by the Federal Reserve Bank of Chicago to its member banks. The rediscounting of customer's notes predicated on government securities, as well as loans on Treasury certificates, aggregates large, but customers' notes are being cared for very satisfactorily as they fall due, and the disposition on the part of the banks seems to be to reduce their borrowings in preparation for the government financing in the near future.

Bank Clearings Are Still Very Large.

Bank exchanges not only in Chicago, but at the twenty-two clearing house centers in the Seventh Federal Reserve District continue to increase despite the smaller volume of merchandise moving, an indication that the purchasing power of the dollar is less than in normal times. Chicago bank clearings for the first 19 days of February totaled \$1,299,623,000, an increase of \$129,463,000 or 11.06 per cent, while exchanges at twenty-two of the leading clearing houses in the district outside of Chicago for the first 15 days of February aggregate \$329,935,900, an increase of \$88,772,500 compared with a year ago.

An indication of the trend in the banking situation of Chicago is found in the comparison of gross deposits and aggregate loans. Gross deposits of 12 leading Chicago banks aggregated \$924,600,000 on February 20, an increase of \$1,400,000 compared with the aggregate gross deposits on January 20, whereas the loans and discounts exclusive of bonds totaled \$600,500,000 on February 20, a decrease of \$24,600,000 compared with a month previous.

POST OFFICE RECEIPTS AT FIVE POINTS.

	January Receipts		Increase	
	1919.	1918.	Amount.	Per Cent.
Chicago	\$3,084,590	\$2,622,418	\$462,171	4
Detroit	460,071	390,773	69,297	13
Indianapolis	212,437	183,756	28,680	15.6
Milwaukee	241,489	203,076	38,403	14.17
Peoria	51,964	51,801	162

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO.

(000's Omitted)

	RECEIPTS				SHIPMENTS			
	December.		January.		December.		January.	
	1918.	1917.	1919.	1918.	1918.	1917.	1919.	1918.
Flour, barrels.....	1,057	833	622	457	706	822	412	457
Wheat, bushels.....	7,137	1,006	3,552	331	7,736	523	2,535	121
Corn, bushels.....	5,489	6,228	7,958	10,555	3,274	2,223	3,133	1,541
Oats, bushels.....	12,472	8,745	6,606	5,632	9,436	6,144	5,975	3,423
Cured Meats, pounds.....	13,156	26,134	13,793	16,161	118,071	52,584	127,331	67,371
Fresh Meats, pounds.....	137,515	108,186	118,143	73,011	250,336	122,740	242,880	113,581
Lard pounds.....	12,959	8,120	17,835	7,210	52,864	10,240	51,249	17,744
Cheese, pounds.....	10,334	10,977	11,493	8,009	5,480	6,006	4,123	5,784
Butter, pounds.....	14,544	16,770	17,513	18,143	19,041	21,421	20,593	21,720
Eggs, cases.....	85	150	48	107	205	178	148	105
Hides	17,186	13,226	18,872	9,561	40,347	22,305	24,786	11,278
Lumber, thousand feet.....	163	203	134	122	60	87	47	58
Potatoes, bushels.....	1,494	848	1,490	765	321	248	595	216

RECEIPTS OF LIVE STOCK AT CHICAGO.

Receipts of live stock at Chicago for the four weeks ended February 20, 1919, compared with the corresponding period of 1918, are as follows:

	Cattle.	Calves.	Hogs.	Sheep.
1919	267,351	44,861	392,845	308,533
1918	274,619	40,229	347,294	284,124
Increase	*6,268	4,632	45,551	24,409

*Decrease.

BUILDING STATISTICS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES.

	January, 1919.		January, 1918		Per Cent Gain.	Per Cent Loss.
	No. of Buildings.	Estimated Cost.	No. of Buildings.	Estimated Cost.		
Bay City, Mich.....	7	\$ 3,890
Cedar Rapids, Iowa.....	10	18,000	6	\$ 10,000	80	..
Chicago, Ill.	99	1,630,350	58	3,388,600	..	52
Davenport, Iowa	12	2,655	19	21,315	..	88
Decatur, Ill.....	24	80,425	8	28,800	178	..
Des Moines, Iowa.....	43	122,300	55	305,475	..	59
Detroit, Mich.....	333	1,040,710	196	1,608,765	..	35
Dubuque, Iowa.....	9	49,550	6	37,350	33	..
Grand Rapids, Mich.....	51	32,081	21	312,860	..	90
Indianapolis, Ind.	298	219,215	79	68,072	222	..
Jackson, Mich.....	22	18,485	6	565	3171	..
Lansing, Mich.	17	35,305	1	95	37603	..
Milwaukee, Wis.....	79	226,857	44	228,490	..	71
Peoria, Ill.	11	37,200	13	45,300	..	18
Saginaw, Mich.....	29	564,430	3	5,039	11101	..
Sioux City, Iowa.....	23	116,700	15	42,599	174	..
South Bend, Ind.....	41	39,404	22	25,254	56	..
Springfield, Ill.....	27	33,090	9	8,925	271	..
Terre Haute, Ind.....	26	16,765	7	6,145	173	..

Note—Compiled from the American Contractor.